

Message Text

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ACTION EB-08

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C O N F I D E N T I A L QUITO 1288

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E.O. 11652: GDS
TAGS: EINV, EC
SUBJECT: OPIC ACTIVITIES, USG-GOE EXCHANGE OF NOTES RE INVEST-
MENT GUARANTEES, AND ADA/OKC CLAIM

REFS: (A) QUITO 1138; (B) STATE 39158

1. BEGIN SUMMARY: EMBOFF IS SCHEDULED TO MEET WITH
FOREIGN MINISTRY OFFICIAL DURING WEEK OF MARCH 7 TO DISCUSS
TEXT FOR AN EXCHANGE OF NOTES RE INVESTMENT GUARANTEES.
EMBASSY BELIEVES THAT IT IS DESIRABLE TO HAVE OPIC PROGRAMS
RESUMED PROMPTLY, AND OPIC INVESTMENT MISSION VISIT IN NEAR
FUTURE AS TENTATIVELY SCHEDULED; AND THAT IT WOULD BE
SELF-DEFEATING TO MAKE SUCH OPIC ACTIVITIES CONTINGENT
UPON A PRIOR SETTLEMENT OF THE ADA/OKC CLAIM. IT APPEARS
THAT OKC ITSELF IS NOT SEEKING USG LEVERAGE IN ACHIEVING
ITS OBJECTIVES. END SUMMARY.

2. E/C COUNSELOR MET WITH FOREIGN MINISTRY'S DIRECTOR
GENERAL FOR ECONOMIC AFFAIRS, AMB. ROQUE CANADAS, ON
FEB. 24 TO REVIEW CURRENT MATTERS OF MUTUAL INTEREST.
ON THE TOPIC OF THE PROPOSED EXCHANGE OF NOTES RE INVEST-
MENT GUARANTEES, CANADAS CONCEDED HE WAS SOMEWHAT UNCERTAIN
AS TO HOW TO PROCEED, FOLLOWING THE FAILURE OF THE ANDEAN
COMMISSION AT ITS MEETING FEB. 14-16 TO TAKE UP THE
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QUESTION OF A COMMON ANDEAN POLICY TOWARDS OPIC PROGRAMS.
HE STRESSED, HOWEVER, THAT THE GOE FOREIGN MINISTRY WISHES
TO BE AS FORTHCOMING AS POSSIBLE IN MEETING OPIC'S REQUIRE-
MENTS WHILE ACTING CONSISTENTLY WITH OBLIGATIONS UNDER
ARTICLE 51 OF DECISION 24. CANADAS SAID HE WOULD BE
DEPARTING FOR VIENNA ON FEB. 25 TO ACCOMPANY GOE FINANCE
MINISTER SEVILLA AT THE OPEC MEETING THERE, AND WOULD

BE RETURNING TO QUITO ON MARCH 7. HE ASKED THE COUNSELOR TO MEET WITH HIM AGAIN DURING THE WEEK OF MARCH 7 TO BEGIN JOINT CONSIDERATION OF TEXTS FOR THE PROPOSED EXCHANGE OF NOTES. CANADAS COMMENTED THAT HE WAS SORRY TO HAVE TO DELAY THIS NEXT STEP IN THE PROCESS, BUT THAT HE DID NOT WISH TO DELEGATE THE RESPONSIBILITY FOR WORK ON THE NOTES.

3. COMMENT: REGARDING THE VIEW EXPRESSED IN REF B THAT OPIC MAY BE ATTEMPTING TOO SOON TO FORCE THE ISSUE OF RE-OPENING ITS PROGRAMS IN ECUADOR, THE EMBASSY FRANKLY DOES NOT AGREE. WE BELIEVE THE TIME HAS COME FOR OPIC TO BEGIN ENCOURAGING U.S. INVESTORS TO TAKE A LOOK AT PROSPECTIVE OPPORTUNITIES IN ECUADOR (IF NOT ALSO IN THE OTHER ANDEAN COUNTRIES). SEVERAL ATTRACTIVE OPPORTUNITIES ARE TAKING SHAPE NOW, AND OTHERS WILL LIKELY BEGIN TO DO SO IN THE NEXT COUPLE OF YEARS. THE CURRENT MILITARY GOVERNMENT IS SCHEDULED TO GIVE WAY TO A CIVILIAN REGIME IN EARLY 1978, AND THERE ARE GOOD PROSPECTS THAT WHICHEVER CIVILIAN POLITICAL ELEMENT COMES TO POWER AT THAT TIME WILL GIVE FRESH IMPETUS TO DEVELOPMENTAL PROGRAMS REQUIRING CONSIDERABLE INFLOWS OF FOREIGN PRIVATE INVESTMENT. IN RECENT MONTHS THERE HAS BEEN A STEADY PARADE OF INVESTMENT MISSIONS AND INDIVIDUAL PROSPECTIVE INVESTORS COMING TO ECUADOR FROM VARIOUS EUROPEAN COUNTRIES AND JAPAN. IN THIS CONTEXT, THE PROPOSED OPIC INVESTMENT MISSION, TENTATIVELY SCHEDULED FOR LATE APRIL 1977, WOULD BE COMING NONE TOO SOON.

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4. WE SEE LITTLE REASON FOR THE USG TO CONTINUE TO TAKE THE POSITION THAT SETTLEMENT OF THE ADA/OKC CLAIM IS A PRE-REQUISITE FOR OPIC'S RESUMPTION OF PROGRAMS. OUR VIEW IS BASED ON THE FOLLOWING CONSIDERATIONS:

(A) OKC (WHICH RECENTLY BOUGHT OUT ADA'S CLAIM IN ECUADOR) ITSELF IS NOT SEEKING A "SETTLEMENT" OF THE CLAIM IN THE USUAL SENSE. RATHER, AS WE UNDERSTAND, OKC INTENDS TO PROPOSE TO THE GOE THAT THE ADA CLAIM BE TREATED AS A TAX WRITE-OFF TO BE APPLIED AGAINST TAXES DUE FROM OKC TO THE GOE. ACCORDING TO THE FINANCE MINISTER, THERE APPEARS TO BE A CHANCE THAT THE GOE WILL ACCOMMODATE AN OKC PROPOSAL OF THIS KIND.

(B) IF WE FIRMLY LINK THE RESUMPTION OF OPIC PROGRAMS IN ECUADOR WITH A GOE SETTLEMENT OF THE ADA/OKC ISSUE, CERTAIN ELEMENTS IN THE GOE MOST CERTAINLY WILL REACT IN A FASHION PRECISELY THE OPPOSITE OF WHAT THE LINKAGE IS INTENDED TO ACHIEVE--THAT IS, THEY WILL VIEW THE LINKAGE

AS ONE MORE EXAMPLE OF USG ECONOMIC COERCION, AND WILL URGE THAT THE GOE RESPOND BY STIFFENING ITS SPINE AND REFUSING TO YIELD. WHILE WE HAVE IN THE PAST BEEN WILLING TO RUN THAT RISK AND MAY HAVE TO DO SO IN THE FUTURE, WE DO NOT SEE THE PRESENT SITUATION AS REQUIRING IT (SEE A AND C).

(C) OKC ITSELF IS NOT, AS FAR AS WE KNOW, PRESSING THE USG TO ASSERT ITS CLAIM, EITHER FORMALLY OR OTHERWISE. INDEED, OKC HAS ASKED THE USG TO STAY OUT OF THE ACT. GIVEN THIS ATTITUDE BY THE PUTATIVE CLAIMANT, IT IS ANOMALOUS FOR THE USG TO CONTINUE TO CONDITION VARIOUS FORMS OF COOPERATION ON PRIOR SETTLEMENT OF THE OKC/ADA ISSUE.

(D) ECUADOREAN PUBLIC OPINION IMPOSES STRONG RESTRAINTS ON THE GOE AGAINST MAKING ANY KIND OF SETTLEMENT OF THE ADA CLAIM. THE BEST WAY TO ACHIEVE A SETTLEMENT
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IS THROUGH QUIET NEGOTIATIONS BETWEEN OKC AND THE GOE, AND THE MOST SECURE KIND OF SETTLEMENT WOULD BE ONE THAT IS EITHER NOT READILY DETECTABLE BY THE PRESS OR NOT READILY RECOGNIZABLE AS A SETTLEMENT OF THE ADA CLAIM (E.G., A TAX WRITE-OFF FOR OKC). AS THE GOE APPEARS TO BE CONSIDERING SUCH A SETTLEMENT, THERE IS NOTHING TO BE GAINED BY EXERTING USG PRESSURES AT THIS TIME. (THE AMBASSADOR AND EMBASSY OFFICERS ARE CONTINUING, ON THE OTHER HAND, TO TAKE EVERY OPPORTUNITY TO INDICATE TO THE FINANCE MINISTER AND OTHER GOE OFFICIALS THE USG INTEREST IN A RESOLUTION OF THE ADA/OKC PROBLEM. BUT WE DISTINGUISH THIS KIND OF ENCOURAGEMENT FROM THE ARM-TWISTING IMPLIED IN WITHHOLDING OPIC PROGRAMS.)

5. SUMMING UP, WE ARE FIRMLY CONVINCED IT IS IN THE U.S. INTEREST TO HAVE THE USG ENCOURAGE U. S. INVESTORS TO TAKE A LOOK AT INVESTMENT OPPORTUNITIES IN ECUADOR; AND THAT IS IS NO LONGER IN THE U.S. INTEREST TO HOLD OFF SUCH ENCOURAGEMENT PENDING A SETTLEMENT OF THE ADA/OKC CLAIM.

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